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FISCAL IMPACT STATEMENT

LS 7316

BILL NUMBER: SB 467

NOTE PREPARED: Apr 6, 2007

BILL AMENDED: Apr 5, 2007

SUBJECT: Fuel Standards.

FIRST AUTHOR: Sen. Weatherwax

FIRST SPONSOR: Rep. Grubb

BILL STATUS: CR Adopted - 2nd House

FUNDS AFFECTED: **GENERAL**
 X DEDICATED
 FEDERAL

IMPACT: State

Summary of Legislation: (Amended) This bill allows the State Department of Health to inspect samples of gasoline-ethanol blends (ethanol) and prohibit the sale of ethanol that does not meet standards prescribed by law. The bill establishes minimum specifications for ethanol, gasoline, and kerosene. It also provides that an instrument evidencing the sale of nominally anhydrous ethyl alcohol must include certain information. The bill also establishes standards for determining when ethanol is considered to be received in Indiana and for certain records concerning ethanol. The bill changes references to "ethanol" to "gasoline-ethanol blend".

The bill requires the Indiana Utility Regulatory Commission to consider certain expenditures related to ethanol construction projects in the rate base of certain public utilities. The bill permits an electricity supplier to recover costs associated with electric lines facilities projects. It also permits certain utilities to recover certain distribution system improvement charges.

The bill requires an electricity supplier (other than a rural electric membership cooperative or a municipally owned utility) to supply a certain percentage of its total electricity supply from renewable energy resources. The bill establishes the Renewable Energy Resources Fund. It requires an electricity supplier that fails to supply electricity from renewable energy resources to pay a penalty. The bill provides that penalties are to be deposited in the fund.

Effective Date: (Amended) Upon passage; July 1, 2007.

Explanation of State Expenditures: This bill updates the fuel standards contained in the code to reflect current definitions and new products.

(Revised) *Renewable Energy*: This bill will increase administrative costs to the Utility Regulatory Commission (IURC). The bill requires the IURC to monitor compliance with the standards in the bill for electricity suppliers' use of renewable energy resources. The bill also requires the IURC to publish compliance results on the IURC's website, adopt rules to implement the provisions of the bill, and submit a report to the Legislative Council not later than April 1, 2013, concerning industry compliance.

The Economic Development Corporation (IEDC) is required to administer the Renewable Energy Resources Fund (RERF) established in the bill. The bill states that the IEDC can use the money in the fund to pay for the expenses in administering the fund. It is anticipated that the IURC can implement the provisions of this bill through the use of existing staff and resources.

Explanation of State Revenues: (Revised) *Renewable Energy*: This bill creates the Renewable Energy Resources Fund for the purpose of supporting the development, construction, and utilization of renewable energy resources in Indiana. The bill requires that all penalties imposed on electricity suppliers for noncompliance with the renewable energy standards shall be deposited in the fund.

The bill requires that each electricity supplier supply electricity generated by renewable energy resources to Indiana customers as a percentage of the total electricity supplied by the electricity supplier to Indiana customers as follows:

- (1) In 2009, at least 1%.
- (2) In 2010, at least 2%.
- (3) In 2011, at least 3%.
- (4) In 2012, at least 4%.
- (5) In 2013, at least 5%.
- (6) In 2014, at least 6%.
- (7) In 2015, at least 7%.
- (8) In 2016, and thereafter, at least 8%.

The measurement for these percentages is megawatt hours.

The IURC estimates that less than 1% of all electricity supplied to Indiana customers is generated by renewable energy resources.

This bill also requires that ALL of the renewable energy resources must be generated in an Indiana facility, or an area adjacent to Indiana which is designated a serious or severe ozone nonattainment area by the U.S. Environmental Protection Agency.

The bill states that if an electricity supplier does not meet these standards, the supplier must pay a penalty equal to the number of megawatt hours that failed to comply multiplied by \$50. The IURC can waive these requirements for an electricity supplier if the IURC determines that the renewable energy resources were not available in sufficient quantities to allow compliance. If the IURC makes this determination at a public hearing as required by the bill, the IURC must reduce the suppliers' compliance standards accordingly.

As used in the bill, "electricity supplier" means certain public utilities that furnish retail electric service to the public.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: State Department of Health; Utility Regulatory Commission; Indiana Economic Development Corporation.

Local Agencies Affected:

Information Sources:

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